

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SCEM-02 INT-08 TRSE-00 SCI-06 EB-11 OMB-01

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R 110945Z JAN 74

FM AMEMBASSY HELSINKI
TO SECSTATE WASHDC 7056
INFO AMEMBASSY MOSCOW
AMCONSUL LENINGRAD
AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM

UNCLAS HELSINKI 0071

E.O. 11652: N/A

TAGS: ENRG, UR, FI

SUBJ: SOVIET NATURAL GAS COMES TO FINLAND

REF: HELSINKI A-104, APR 73

1. ON JANUARY 9, THE 125 KILOMETER NATURAL GAS PIPELINE LEADING FROM THE SOVIET BORDER TO THE CITY OF KUOVOLA WAS OFFICIALLY INAUGURATED BY PRESIDENT KEKKONEN AND THE FIRST DELIVERIES OF GAS BEGAN TO FLOW. THE MAIN PIPELINE HAS A DIAMETER OF 70 CM AND WILL OPERATE AT A PRESSURE OF 55 ATMOSPHERES. BY THE TERMS OF THE RELEVANT AGREEMENT, GAS DELIVERIES WILL TOTAL 500 MILLION CUBIC METERS IN 1974, DOUBLE TO 1,000 MILLION IN 1975 AND THEN RISE BY YEARLY INCREMENTS OF 100 MILLION TO ANNUAL RATE OF 1,400 MILLION CUBIC METERS IN 1979 WHICH WILL BE MAINTAINED THROUGH 1993. THIS WOULD, ACCORDING TO PROJECTIONS, CONSTITUTE ABOUT 3 PERCENT OF THE TOTAL "ENERGY SUPPLY" IN

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1979. PRIME MINISTER SORSA AT INAUGURATION EXPRESSED

HOPE THAT DELIVERIES COULD BE INCREASED TO CAPACITY OF PIPELINE OF 3 BILLION CUBIC METERS (ABOUT 10 PERCENT OF ENERGY SUPPLY AT CURRENT LEVELS). THIS POSSIBILITY WILL DEPEND ON FURTHER NEGOTIATIONS WITH SOVIET UNION AND EXPANSION OF NATURAL GAS USING FACILITIES IN FINLAND. PREVIOUSLY, SUGGESTIONS WERE MADE ALSO THAT SHOULD SWEDEN PURCHASE NATURAL GAS FROM THE SOVIET UNION, FINLAND MIGHT PARTICIPATE IN CONSTRUCTION OF PIPELINE AND IN PURCHASE OF ADDITIONAL AMOUNTS OF GAS, HOPEFULLY AT A FAVORABLE PRICE.

2. THE PRICE OF THE GAS HAS NOT BEEN ANNOUNCED BUT SINCE IT REPORTEDLY IS LINKED TO WORLD MARKET PRICES OF OTHER FUELS, THE PURCHASE PRICE OF GAS WILL GO UP IN TIME. FOREIGN TRADE MINISTER LAINE HAS PUBLICLY SAID IN THIS REGARD THAT THE RISE IN PRICE OF CRUDE OIL (AND GAS) WILL INCREASE FINLAND'S IMPORT BILL FROM THE USSR BY 500 TO 1,000 MILLION FMK.

3. COMMENT: DESPITE THE CLOSE AND FRIENDLY RELATIONS BETWEEN THE TWO COUNTRIES, THE SOVIET UNION NEGOTIATORS HAVE BEEN HARD BARGAINERS AND FINLAND WAS UNABLE TO OBTAIN PREFERENTIAL PRICES FOR THE NATURAL GAS. THOUGH THE INITIAL VOLUME THIS YEAR IS RELATIVELY SMALL THE COMPLETION OF THE PIPELINE HAS SIGNIFICANCE FOR THE FUTURE FOR ENERGY-SHORT FINLAND.
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